



City2City in comfort & style

# ANNUAL REPORT & FINANCIAL STATEMENTS 2 0 1 6



## WHERE WE GO...

MONTEGO BAY

KINGSTON

SAVANNAH-LA-MAR

LUANA

MBJ AIRPORT



## WHO WE ARE

On June 1, 2006, Knutsford Express started its service, committed to providing true world-class transportation to Jamaicans desirous of commuting safely and in style between our capital city Kingston and our tourism capital city of Montego Bay.

The passion underlying our company is to consistently surpass the best service available in Jamaica, including that provided to visitors in our beloved tourism industry. It is through providing quality service with strict emphasis on punctuality, courtesy, comfort and safety that we will be able to grow and be profitable.

Our primary concern is OUR CUSTOMER! Please remember that all our practices and rules are designed with you in mind.

Our commitment to roll out on time is in keeping with the respect that we have for you, your time and our efforts to meet our time targets promised. *(It is important not to inconvenience our passengers by leaving late - check-in early, do not ask us to hold back the bus).*

Our contract with you is to take you City2City with only one rest stop in Ocho Rios to complete our hassle-free journey. *(Please do not ask us to stop en route)*

Knutsford Express provides the most comfortable and effortless way to travel between Kingston, Ocho Rios, Montego Bay, Falmouth, Savannah-La-Mar, Mandeville, Negril, Luana, Gutters and, since 2015, Port Antonio, Port Maria and Annotto Bay.

Travel in ease with our professional drivers trained to efficiently and safely commute our roads and highways. Enjoy the scenery and ride in our air-conditioned environment complete with refreshing bottled water as you recline in your seat.

Sit back and relax, let us do the driving for you.

We'll get you there safely and on time.



NEGRIL

OCHO RIOS

PORT ANTONIO

FALMOUTH

GUTTERS

MANDEVILLE

PORT MARIA

ANNOTTO BAY

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**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 2016 Annual General Meeting of KNUTSFORD EXPRESS SERVICES LIMITED will be held at Caribic Vacations Limited located at 1310 Providence Drive, Ironshore, Whitesands Beach, Montego Bay on Wednesday, October 26, 2016 at 10:30 a.m. for the purpose of transacting the following business:

- 1. To receive the Audited Accounts for the year ended May 31, 2016 together with the reports of the Directors and Auditors thereon,

The Company is asked to consider, and, if thought fit, pass the following resolution:

**Resolution No. 1**  
“That the Audited Accounts for the year ended May 31, 2016, together with the reports of the Directors and Auditors thereon, be and are hereby adopted.”

- 2. To elect Directors.  
  
(i) The Directors retiring by rotation in accordance with Regulation 99 of the Company’s Articles of Incorporation are Messrs. Gordon Townsend, Anthony Copeland, Wayne Wray and Peter Pearson, who, being eligible for re-election, offer themselves for re-election.

The Company is being asked to consider, and, if thought fit, pass the following resolutions:

**Resolution No. 2**  
“That the Directors, retiring by rotation, be re-elected by a Single Resolution.”

**Resolution No. 3**  
“That Messrs. Gordon Townsend, Anthony Copeland, Wayne Wray and Peter Pearson be and are hereby re-elected as Directors of the Company.”

- 3. To ratify interim dividends

The company is asked to consider, and, if thought fit, to pass the following resolution:

**Resolution No. 4**  
That the interim dividend of twenty four (24) cents per share paid on September 15, 2016 be and is hereby ratified and declared final for 2016.

- 4. To approve the remuneration of the Directors.

The Company is asked to consider, and if thought fit, to pass the following resolution:

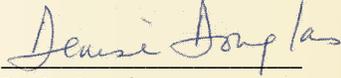
**Resolution No. 5**  
“That the amount shown in the Audited Accounts of the Company for the year ended May 31, 2016 as fees for the Directors for their services as Directors, be and are hereby approved.”

- 5. To appoint Auditors and to authorize the Directors to fix the remuneration of the Auditors.

The Company is asked to consider, and, if thought fit, pass the following resolution:

**Resolution No. 6**  
“That the remuneration of the Auditors, CrichtonMullings & Associates, who have signified their willingness to continue in office, be such as may be agreed between the Directors of the Company and the Auditors.”

Dated September 16, 2016  
By Order of the Board

  
Denise Douglas  
Company Secretary  
Registered Office  
69 Gloucester Avenue  
Montego Bay

- NOTE:**
- 1. A member entitled to attend and vote at the meeting may appoint a proxy, who need not be a member, to attend and so on a poll, vote on his/her behalf. A suitable form of proxy is enclosed. Forms of Proxy must be lodged with the Registrar of The Company, Jamaica Central Securities Depository, 40 Harbour Street, Kingston not less than 48 hours before the time of the meeting.
  - 2. A Corporate shareholder may (instead of appointing a proxy) appoint a representative in accordance with Regulation 75 of the Company’s Articles of Incorporation. A copy of Regulation 75 is set out on the enclosed detachable proxy form.



LUXURY COACH & COURIER SERVICE

## VISION STATEMENT

To be the premier provider of quality transport solutions  
by offering a safe, reliable, enjoyable and cost-effective experience,  
with customer satisfaction as the primary focus.



## MISSION STATEMENT

The mission of Knutsford Express  
is to provide distinctive transport solutions,  
delivered by well-trained and motivated professionals  
who consistently deliver world-class service  
that adds value to our customers' experience,  
thereby enhancing profitability.

## CHAIRMAN'S STATEMENT



This year has been a fantastic one for Knutsford Express Services, having just celebrated our tenth anniversary. One cannot help but be proud when reflecting on the remarkable journey the company has undertaken these past ten years.

Moving from one route between the cities of Montego Bay and Kingston to now connecting 11 major towns with multiple departures weekly, has given credence to Knutsford Express Services being dubbed a household name in transportation both here and abroad. There has been a consistent rise in the number of passengers using our service, especially in connections to and from the international airports. There has also been a marked increase in the use of our courier service by entrepreneurs who, on a daily basis, utilize our service to deliver to their customers across the island.

In addition to luxury transportation of passengers from one major town to the next and our courier services, the company is now offering private coach hireage to select groups as well as shuttle services to and from major events,

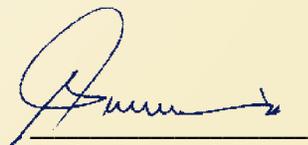
the most recent being Heineken Startime. This we believe will boost significantly, the viability of the company. This is not merely a theory, as it has been proven with our entrance onto the Junior Stock Market and the growth of our stock value. The future looks very bright for Knutsford Express Services. Our analytical projections reveal that this trend will continue and ultimately improve in the years to come.

Knutsford Express Services prides itself with being the only luxury coach service provider available to the public in Jamaica. Not only are our coaches state of the art but they are also environmentally friendly and safe. Our Customer Transportation Officers are also well trained to ensure fuel efficiency, safe transport and customer satisfaction.



**Staff in training**

They, along with our customer service representatives in the various offices across the island contribute to the overall customer experience and for that we are eternally grateful. We must also recognize the management team for consistently going above the call of duty to ensure the staff is operating at maximum potential.



**Gordon Townsend**  
Chairman

## DIRECTORS' REPORT

The Directors are pleased to present their report for the financial year ended May 31, 2016.

### Financial Results

	\$
Profit before Taxation	128,278,147
Taxation	<u>6,438,077</u>
Net Profit	<u>121,840,070</u>
Retained Earnings at the beginning of the year	177,647,847
Retained Earnings at the end of the year	284,487,917

### DIVIDEND

The Directors are recommending that interim dividends of twenty four (24) cents paid on September 15, 2016 be ratified and declared final for 2016 by the shareholders in the general meeting as the Directors do not propose to declare any further dividends from the audited profits realized during the financial year ended May 31, 2016.

### THE BOARD

The Directors as at May 31, 2016 were as follows:

Gordon Townsend  
Wayne Wray  
Anthony Copeland

Oliver Townsend  
Peter Pearson

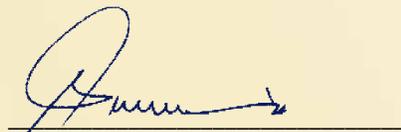
In accordance with Regulation 99 of the Company's Articles of Incorporation, Directors Gordon Townsend, Anthony Copeland, Wayne Wray and Peter Pearson will retire by rotation and, being eligible, offer themselves for re-election.

### AUDITORS

The company auditors, CrichtonMullings & Associates, have indicated a willingness to continue in office pursuant to the provisions of Section 154(2) of the Companies Act.

The Directors wish to place on record their appreciation and recognition of the dedicated efforts and hard work given by the officers and staff of the company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



**Gordon Townsend**  
Chairman

## CHIEF EXECUTIVE OFFICER'S REPORT



The period under review marks our second full year of being listed on the Junior Market of the Jamaica Stock Exchange and marks our 10th anniversary of operation. Time certainly has flown by, but we must pause to give thanks to all our stakeholders including you our shareholders who grabbed on to our vision.

It therefore gives us great pleasure to present the results for the year ending May 31, 2016 where our business continued to grow, recording a 76% increase in net profit to \$121M over 2015 and a robust year over year 175% increase in our company's share price to \$16.80.

In this period we intensified the listening ear to our customer which went way beyond our fleet expansion and improvement programme. We were reminded of the subtle details that our customers hold dear and our team amplified their response to our clients' needs. Measures to safeguard punctuality, safety and customer service were employed. Internal and external customer service training efforts were doubled. Our talented team of customer service agents, maintenance personnel, customer transportation officers and managers delivered with pride and determination to tend to our growing customer base.



The customer experience and efficiency of our operations were improved with the introduction of six (6) new state of the art luxury coaches in addition to two new depots in pivotal locations on the north and south coasts. In Ocho Rios, we relocated to Island Village and in Mandeville to 52 Caledonia Road where our operations and customers have adequate access and parking. In Kingston, we created dedicated space to our important and growing courier service business.

We are excited about the prospects that our subsidiary, KE Connect Limited brings to the public with respect to higher end transportation services. Even more encouraging is the range of products offered to our core customers that will drive general ridership including car rental services, car & coach private hireage and connections to other locations like NMIA.

All in all, our efforts were rewarded with revenues growing by 30% to \$584M from \$451M a year earlier. More and more visitors, including those from the Diaspora and others from far away countries continue to travel with us. It was rewarding when we learnt of our selection as top transportation provider by copping the 2016 Ground Transport Award by the Jamaica Hotel and Tourist Association (JHTA).

We look forward to the year ahead when we will continue to introduce a slew of innovations and enhancements for the benefit of our growing customer expectations.



**Oliver Townsend**  
CEO

## MANAGEMENT DISCUSSION AND ANALYSIS

Knutsford Express Services Limited is a transportation service company committed to adding value to our customers lives by offering safe, reliable, enjoyable and cost-effective passenger travel coach experience in Jamaica of the highest international caliber, in addition to a frequent departure 7 days a week courier service.

The Company continues to grow around the mantra that Jamaicans deserve a first world service, one that makes Jamaicans proud and overseas visitors take note. The service began humbly on June 1, 2006 with just twenty-eight (28) departures per week between Montego Bay & Kingston. We now offer affordable luxury service to eleven (11) towns and cities in Jamaica via two hundred and thirty eight (238) departures weekly.

While the areas of safety and maintenance remain undiminished in their importance to the success of our company, we have been reengineering the customer experience in terms of ease of connecting to us, making a booking and shortening transaction times. To that end, we introduced the Knutsford Express mobile app on the Android and Apple devices available from Google Play and the iTunes stores respectively that allow our customers to self-reserve &/or self-purchase their seats 24 hours per day. We also offer a “chat-box” via our website where all questions and/or seat reservations are offered.



**Safety continues to be a priority at Knutsford Express Services as evidenced by our increasing the number of training hours and programmes for both the maintenance team and the customer transportation officers.**



**The Knutsford Express team at the company's 10th anniversary church service**

The new customer amenities and seats offered on our new generation of coaches have elevated the customer experience. This is in keeping with our goal to create an experience onboard our coaches at a cost that encourages our customers to leave their vehicles behind. As a result, their time with us will be more relaxing, entertaining and productive.

We are proud of the fact that travel by coach helps our country in many ways:-

- Reduces pollution – our service removes scores of vehicles off our roads each day as customers use our environmentally friendly buses.
- Reduces accident rate on our highways – for the same reason as above, while our well-maintained coaches, well-trained and defensive driving minded Customer Transportation Officers (CTOs), i.e. our drivers take our customers safely across the island.
- Increases productivity of our country – our customers can do more and achieve more while on the road with us. With our onboard WiFi environment and comfort, our passengers can get work done while relieving stress and reducing personal risk associated with driving themselves.

## TYPES OF SERVICES/PRODUCTS OFFERED

We offer the following services:-

- **Scheduled Intercity Luxury Coach Transportation** – This service comprises the core of our business. It is a non-stop service between our Montego Bay, Sangsters International Airport (MBJ), Falmouth, Ocho Rios & Kingston depots via the North coast & Montego Bay, Sav-La-Mar, Luana, Gutters, Mandeville and Kingston on the South Coast. We also offer service to/from Port Maria, Annotto Bay, Port Antonio via Ocho Rios.
- **Courier Service** – This is a centre to centre service between our offices that offers a cost-effective seven (7) day operation with customer friendly office opening hours.
- **Coach Hireage** – We offer exclusive private coach services for select customers that require transporting groups at higher standards.
- **Special Event Shuttles** – Our association with major events brings value to patrons that want to party and rest while being taken back to their hometowns at very reasonable cost.

## FINANCIAL PERFORMANCE

During the last five (5) fiscal years, revenue has increased by a Compound Annual Growth Rate (“CAGR”) of thirty-six percent (36%) from four hundred and fifty one (\$451M) to just over five hundred and eighty four million (\$584M) in 2016, with revenues growing 81% over the last two years.

## REVENUE



Net profit has also grown to one hundred and twenty one million (\$121M). This represents a CAGR of approximately sixty-five percent (65%). To facilitate customer demand, management has increased the number of departures along the northcoast and has increased the size of the coach fleet. Going forward, our plans are to increase the departures to/from the south coast routes. We anticipate that this will lead to enhanced revenue and greater profitability.

## NET PROFIT AFTER TAXATION



## NET PROFIT MARGIN

## ASSETS & LIABILITIES



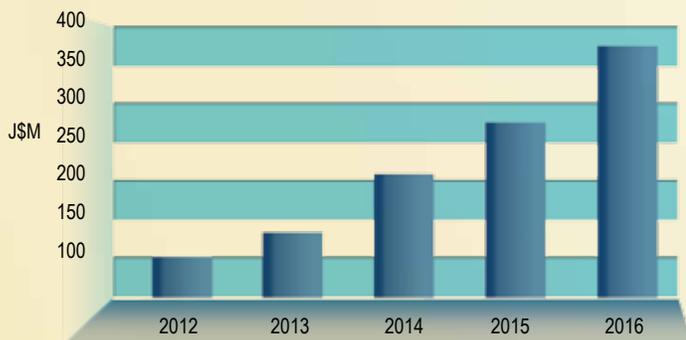
## MANAGEMENT DISCUSSION AND ANALYSIS

During the similar period, the Company has improved its asset base by a CAGR of forty-three percent (43%) to just over four hundred and forty-two million (\$442M). The primary reason is the increase in the coach fleet and the need to provide a greater number of seats to support customer demand. Liabilities which consist mainly of trade payables and bank debt has grown by \$56M to \$106M to primarily support the significant growth in rolling stock.



Accumulated surplus has also expanded by a CAGR of sixty-two percent (62%) to just over three hundred thirty six million (\$336M).

### EQUITY



Selling, general and administrative expenses increased by twenty percent (20%) in 2016 to \$448M from \$372M a year earlier, primarily due to significant strengthening of management and staffing to tend to increased passenger loads, heightened customer expectations while building the structure for continued growth. Our continued investment in fuel efficient buses have further complemented favourable fuel prices by reducing our 2016 fuel costs down to \$65M, eight percent (8%) lower than the \$71M in 2015. As a percentage of revenue fuel costs have dropped to 11.1% in 2016 down from 15.6% in 2015.

## CORPORATE GOVERNANCE

The Board of Directors of Knutsford Express Services Limited is responsible for the Company's system of corporate governance and ultimately accountable for the Company's activities, strategy, risk management and financial performance. The Board has the authority, and is accountable to shareholders, for ensuring that the Company is appropriately managed and achieves the strategic objectives it sets.

### BOARD OF DIRECTORS COMPOSITION

As of May 31, 2016, the Board of Directors is comprised of two independent non-executive, one non-executive and two executive board members, who are qualified, objective, committed, possess diverse skill sets and the background to effectively serve on the various committees of the board. The definitions of these directors are:

- An independent non-executive director is a member of the board of directors who does not have a material or pecuniary relationship with company or related persons
- A non-executive director is a member of the board of directors who does not engage in the day to day management but may be involved in policymaking and planning exercises.
- An executive director is a member of the board of directors who is heavily involved in the day to day management of the company.

### THE BOARD AND ITS COMMITTEES -

#### Board of Directors

Gordon Townsend – Chairman

Wayne Wray

Oliver Townsend – CEO/Managing Dir.

Peter Pearson

Anthony Copeland

### AUDIT COMMITTEE

The Audit Committee is an operating committee of the company's board of directors. It maintains direct communication with the company's financial controller. Its role includes the oversight of financial reporting, the monitoring of accounting policies, the oversight of any external auditors, regulatory compliance, and the discussion of risk management policies with management.

The Audit Committee consists of 3 directors:

Peter Pearson – Independent Non-Executive Chairman

Wayne Wray – Independent Non-Executive Director

Oliver Townsend – Executive Director/CEO/MD

### COMPENSATION COMMITTEE

The Compensation Committee is a sub-committee of the company's board of directors. It is mainly responsible for setting the compensation level of senior management. It also assists in providing oversight for all matters relating to compensation

for all other staff and will make recommendations as are necessary to ensure that compensation is fair and equitable at all levels of the organization. In addition, the Committee shall ensure that compensation levels are competitive within the industry and environment, in order to allow the company to attract and retain qualified, experienced and proficient persons.

The Compensation Committee consists of three directors

Wayne Wray – Independent Non-Executive Chairman

Peter Pearson – Independent Non-Executive Director

Anthony Copeland – Executive Director

The Members of the Committee and their attendance at the respective meetings for the 2016 financial year is reflected in the table below:

	ANNUAL GENERAL MEETING	BOARD OF DIRECTORS' MEETINGS	AUDIT COMMITTEE MEETINGS	COMPENSATION COMMITTEE MEETINGS
Number of meetings for the year	1	4	5	1
Gordon Townsend	1	4	--	1
Oliver Townsend	1	4	4	1
Anthony Copeland	1	3	3	1
Wayne Wray	1	4	5	1
Peter Pearson	1	4	5	1

## BOARD OF DIRECTORS' PROFILES



**Gordon Townsend**  
Chairman & Non-Executive Director

**Gordon Townsend** is Chairman of the company. Prior to joining the company he served for over 40 years in the tourism industry where he held numerous positions.

His career in tourism began as a hotelier where he served as Managing Director of the Montego Bay Club Resort for 11 years. In 1982, he shifted his focus to his own newly formed company, Caribic Vacations, a destination management company which provides hosting, transportation and other holiday services to the tourism industry and where he remains as Chairman. During this period, Mr. Townsend has served as Director of the Jamaica Tourist Board and Councillor to the Jamaica Hotel & Tourist Association. He has also served as Deputy Chairman of the Freezones of Jamaica. He currently serves as Chairman of the Management Committee of CATI and the Western Division of HEART Trust Foundation training centre. He is a Justice of the Peace.



**Oliver Townsend**  
Chief Executive Officer & Director

**Oliver Townsend** is the Chief Executive Officer of the company. Mr. Townsend has served in the Tourism & Service Sector for over 24 years in various management capacities including those that involved marketing locally & overseas. His career began in Caribic Vacations, a family-owned destination management company, where he served as Director of Transport and CEO.

He also serves as Director of Caribic Vacations Limited. Mr. Townsend holds a B.Sc. in Electrical Engineering from the New York Institute of Technology, as well as an MBA from the Florida International University.

## BOARD OF DIRECTORS' PROFILES



**Anthony Copeland**  
Executive Director

**Anthony Copeland** is an Executive Director of the Company with special focus on and responsibility for Operations, Maintenance and Standards. Mr. Copeland began his career in the private sector at Manhattan House in the area of marketing before leaving to serve his country which led to 18 years in the Jamaica Defence Force in the Engineering Regiment.

With this expertise gained in Transport and Logistics his career led him in 1996 to become the Technical Advisor in Metropolitan Management Transport Holdings, with responsibility for designing the public transportation system in the KMTR. His success led to his assignment as Managing Director of the newly formed Montego Bay Metro Limited, which he did successfully for 13 years. He is currently serving as President of the Lion's Club of Montego Bay.



**Peter Pearson**  
Non-Executive Director  
and Chairman of The Audit Committee

**Peter Pearson**, a Non-Executive Director of the company and Chairman of the Audit Committee, joined the Board of Directors on 4 December 2013.

Peter is a graduate of Cornwall College and the University of the West Indies from which he holds a BSc. (Management Studies). Peter is a Fellow of the Institute of Chartered Accountants and a Fellow of the Chartered Association of Certified Accountants.

Peter has significant experience in public accounting and retired as a partner of PricewaterhouseCoopers on 30 June 2013 after 39 years with the firm, with 26 of those as a partner. As an assurance partner his portfolio of clients included companies in hospitality, banking, real estate, government and others. He is presently a director and member of the audit committee of a number of other companies. Peter has been a Justice of the Peace since 1987.



**Wayne Wray**

Non-Executive Director & Mentor

The company's Non-Executive Director and Mentor, **Mr. Wayne Wray**, was appointed to the Board of Directors on April 17, 2012. His portfolio of experience and expertise includes executive leadership and management positions in the field of finance and banking.

He is a past Chairman of Jamaica Institute of Bankers, as well as the Caribbean Association of Banks. Licensed by the Financial Services Commission as an investment advisor, Mr Wray is the principal director of Wiltshire Consulting & Advisory Limited. He is also Managing Director and Principal Shareholder of 365 Retail Limited, an authorised dealer retailing and distributing petroleum and lubricants for Total Jamaica Limited. He is committed to nation building and serves on the Board of several community development organizations.

## KNUTSFORD EXPRESS SERVICES LIMITED

### LIST OF TOP TEN LARGEST SHAREHOLDERS

As at May 31, 2016

SHAREHOLDER	UNITS
1. Oliver Townsend	33,526,664
2. Anthony Copeland	23,926,664
3. N.C.B. Capital Markets Limited A/C 2231	18,779,002
4. Gordon Townsend	17,526,664
5. Advantage General Insurance Limited	1,221,000
6. JCSD Trustees Services Limited-Sigma Venture	1,200,000
7. MF&G Asset Mang. Ltd-NCBCM Unit Trust Scheme-(JMD CA. Equity Portfolio)	906,983
8. Barbara M. Levy/Andre Levy	381,541
9. Tricia-Ann Bicarie/Garcia Bicarie	360,911
10. Paula Townsend	190,792
10. Courtney Watson	190,792

### SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES AS AT MAY 31, 2016

DIRECTOR	SHAREHOLDINGS	CONNECTED PARTIES	SHAREHOLDINGS
Oliver Townsend	33,526,664	---	
Anthony Copeland	23,926,664	---	
Gordon Townsend	17,526,664	---	
Wayne Wray	100,000	Christine Randle	
Peter Pearson	35,000	Yvonne Pearson	

### SENIOR MANAGEMENT TEAM

**Fritz Davis**  
Maintenance Manager

**Hopeton Thompson**  
Operations Manager

**Joan Johnson**  
HR & Training Manager

**Kedon Peterkin**  
Customer Service & Jamaica West Manager

## OUR GUIDING VALUES

Our guiding values are those enduring values our company feels are important to it. These values outline the behaviours and priorities that guide our company's decision making as it relates to our team members and our customers.

The following represents our seven core values:

- **SAFETY**
- **RELIABILITY**
- **INTEGRITY**
- **TEAMWORK**
- **TOTAL CUSTOMER FOCUS**
- **CONTINUOUS IMPROVEMENT**
- **MUTUAL RESPECT**



### SAFETY

The safety of our valued customers is of paramount concern at Knutsford Express. This concern is reflected in making it the cardinal principle at our company and the first among our seven guiding values.

Safety is a value on which we will never compromise, no matter the circumstances. We defer at all times to the functional authority of the Knutsford Express customer transportation officer. If he or she is of the view that a bus is not roadworthy, that view becomes the pre-eminent view, and that bus will not leave the station.

Safety will always be the by-word of Knutsford Express.



### RELIABILITY

We are cognizant of the fact that what our customers want most is consistent performance... a service that they can

depend on. We are committed to live this value of reliability every day by:

- doing what we say we are going to do;
- doing it when we say we are going to do it;
- doing it right the first time;
- and getting it done on time.



### INTEGRITY

We will be truthful in all our endeavours; and we will be honest and forthright with one another and with our customers, communities, suppliers and other partners.

We will say what we mean; deliver what we promise, and stand for what is right. Being above board in everything we do is what we are about.

### TEAMWORK

**At Knutsford Express, we believe that teamwork is achieved through trust:**

- We, as team members, trust that together we will do better than as individuals apart.
- We, as team members, trust that each will carry his/her fair share of the load.
- Our customers trust that we will meet and exceed their expectations every time.
- We all trust in each other; we regard each other as persons of equal rank; we respect the dignity of the individual by recognizing not only the individual accomplishments, but the feelings and needs of the individual and family as well; and we all share the same company goals and purpose.

We work openly and supportively as a team, aiming at common goals. We have fun working with each other, and we take pride in our joint accomplishments.

## OUR GUIDING VALUES



### TOTAL CUSTOMER FOCUS

At Knutsford Express, the guiding value “Total Customer Focus” has a different meaning from what obtains in most organizations. At our place, it speaks to our team members targeting all their efforts on our customers.

We do this because we are acutely aware that our future relies on understanding our customers’ present and future needs. We passionately believe in the primacy of our customers. They are not dependent on us... we are dependent on them. They are not an interruption of our work... they are the purpose of it. We are not doing them a favour by serving them... they are doing us a favour by giving us an opportunity to serve them.



### CONTINUOUS IMPROVEMENT

The best organizations are aware of their potential to do better. Quality requires that everyone at Knutsford Express makes the commitment to continuous improvement. Each team member at Knutsford Express is responsible, not only for fixing problems, but also for preventing their occurrence. But even if we can eliminate every problem, continuous improvement still requires us to continually seek breakthroughs that will allow us to meet our customers’ needs in new and innovative ways.

Trust and respect for every team member is critical to embracing a continuous improvement philosophy at Knutsford Express. Each of us will value and respect each other throughout the company. We will openly admit any

mistakes we make or any failings that exist in our job, and try to do a better job next time.

Progress is impossible without the ability to admit mistakes.

### MUTUAL RESPECT

We, at Knutsford Express, subscribe wholeheartedly to the value of mutual respect. We are committed to listening to our fellow team members; respect and take into account contending views; and respect the individuality of each team member. We give a warm, friendly greeting to each other every day.

We treat each other fairly and consistently. We treat each other with respect and dignity regardless of our position in the organization.

We refrain from making destructive comments about each other. We all feel that our individual contributions are important.

We will not lie to ourselves or to each other. None of us will tolerate any of us doing so. We will depend on each other for the truth.

### CORPORATE CUSTOMER PHILOSOPHY

“Going above and beyond for YOU.”

### TEAM PHILOSOPHY

We treat every team member at our company with dignity and respect; openly sharing information, providing feedback, and listening to each other. Our environment is one of continuous learning in which all employees, regardless of socio-economic background, gender, level or position, can develop their full potential. We value the unique contributions of all individuals recognizing the diversity of our workforce as a competitive advantage.

There is shared ownership and responsibility for tasks. If one team member falls down on his/her responsibility, another team member will pick up the slack to ensure the success of the team. We will not let the failure of one team member (for whatever reason) cause the entire team to fail. Team members become accountable to each other because all team members are needed to ensure the success of the team.





# Auditors' Report & Financial Statements

Year ended May 31, 2016



## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Knutsford Express Services Limited (the "Company"), and the Group financial statements of the Company and its subsidiary (the "Group"). These financial statements comprise of the Group and the Company statements of financial position as at May 31, 2016, the Group and Company statements of comprehensive income, the Group and Company statements of changes in equity, and the Group and Company statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act (the "Act"). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan, and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and is appropriate to provide a basis for our audit opinion.

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 903 Pavilion Court  
 Suite 1  
 Atlanta, GA 30253  
 770-320-7786



**Opinion**

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of the Group and Company as at May 31, 2016 and of the Group's and Company's financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards and the requirements of the Act.

**Report on other Legal and Regulatory Requirements**

As required by the Act, we have obtained all the other explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.



Crichton Mullings & Associates  
Chartered Accountants

Kingston Jamaica  
July 28, 2016

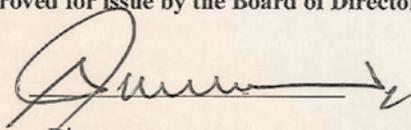
**KNUTSFORD EXPRESS SERVICES LIMITED**  
**GROUP STATEMENT OF FINANCIAL POSITION**  
**AS AT MAY 31, 2016**

<b>ASSETS</b>	<u>Notes</u>	2016 \$	2015 \$
<b>Non-current Assets</b>			
Goodwill	5	4,500,000	4,500,000
Property, plant and equipment	6	293,930,590	174,222,---
Related party - lease deposit	9	4,625,000	4,750,1
Term deposit - restricted	10	2,511,064	2,439,183
		<u>305,566,654</u>	<u>185,911,359</u>
<b>Current Assets</b>			
Inventories	7	22,264,022	15,755,144
Other assets	8	26,986,352	20,850,173
Short term investments	11	43,287,156	12,058,657
Cash and bank balances	12	44,666,367	45,408,631
		<u>137,203,897</u>	<u>94,072,605</u>
<b>Total Assets</b>		<u><u>442,770,551</u></u>	<u><u>279,983,964</u></u>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	51,805,097	51,805,097
Accumulated surplus		284,487,917	177,647,847
		<u>336,293,014</u>	<u>229,452,944</u>
<b>Non-current Liabilities</b>			
Notes payable	15	39,045,734	7,415,168
Shareholders' loan	16	452,840	452,840
Deferred tax liability	17	18,120,223	11,802,146
		<u>57,618,797</u>	<u>19,670,154</u>
<b>Current Liabilities</b>			
Accounts payable and accrued charges	18	28,319,179	19,721,261
Current portion of notes payable	15	20,539,561	11,139,605
		<u>48,858,740</u>	<u>30,860,866</u>
<b>Total Equity and Liabilities</b>		<u><u>442,770,551</u></u>	<u><u>279,983,964</u></u>

The financial statements on pages 20 to 48 were approved for issue by the Board of Directors on July 28, 2016 and signed on its behalf by:

\_\_\_\_\_

Director



Director

The accompanying notes form an integral part of the financial statements



**KNUTSFORD EXPRESS SERVICES LIMITED**  
**GROUP STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED MAY 31, 2016**

	<u>Notes</u>	2016 \$	2015 \$
<b>Revenue</b>	<b>4</b>	<b>584,489,311</b>	451,601,345
<b>Less:</b>			
Administrative and general expenses	<b>19</b>	<u><b>(447,801,383)</b></u>	<u>(371,846,001)</u>
		<b>136,687,928</b>	79,755,344
Other income		<u><b>3,934,644</b></u>	<u>944,597</u>
<b>Operating profit</b>	<b>20</b>	<b>140,622,573</b>	80,699,941
Finance income	<b>21</b>	<b>1,852,735</b>	1,786,262
Finance costs	<b>22</b>	<u><b>(14,197,161)</b></u>	<u>(8,017,577)</u>
<b>Profit before taxation</b>		<b>128,278,147</b>	74,468,626
<b>Taxation charge</b>	<b>23</b>	<u><b>6,438,077</b></u>	<u>5,128,830</u>
<b>Net profit, being total comprehensive income for the year</b>		<u><b>121,840,070</b></u>	<u>69,339,796</u>
<b>Earnings per share for profit attributable to the shareholders of the Company during the year</b>	<b>14</b>	<u><b>\$1.22</b></u>	<u>\$0.69</u>

The accompanying notes form an integral part of the financial statements

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**GROUP STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED MAY 31, 2016**

	<u>Share Capital</u> \$	<u>Accumulated Surplus</u> \$	<u>Total</u> \$
Balance at May 31, 2014	51,805,097	108,308,051	160,113,148
Net profit, being total comprehensive income for the year	<u>-</u>	<u>69,339,796</u>	<u>69,339,796</u>
<b>Balance at May 31, 2015</b>	51,805,097	177,647,847	229,452,944
<b>Transactions with owners:</b>			
Dividends paid being total distribution to owners (note 27)	<u>-</u>	<u>(15,000,000)</u>	<u>(15,000,000)</u>
<b>Total transactions with owners:</b>	-	(15,000,000)	(15,000,000)
Net profit, being total comprehensive income for the year	<u>-</u>	<u>121,840,070</u>	<u>121,840,070</u>
<b>Balance at May 31, 2016</b>	<u><b>51,805,097</b></u>	<u><b>284,487,917</b></u>	<u><b>336,293,014</b></u>

The accompanying notes form an integral part of the financial statements

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**GROUP STATEMENT OF CASH FLOWS**  
**YEAR ENDED MAY 31, 2016**

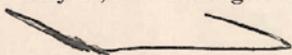
	<u>Notes</u>	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the year		121,840,070	69,339,796
<b>Items not affecting cash resources:</b>			
Depreciation and amortization		37,381,782	25,220,858
Taxation charge		<u>6,438,077</u>	<u>5,128,830</u>
		165,659,929	99,689,484
Increase in operating assets:			
Other assets		(6,136,178)	(19,979,549)
Inventories		(6,508,878)	(1,871,557)
Increase in operating liabilities:			
Accounts payable and accrued charges		<u>8,597,917</u>	<u>10,020,548</u>
		161,612,790	87,858,927
Income tax paid		<u>(120,000)</u>	<u>(3,977,644)</u>
Net cash provided by operating activities		<u>161,492,789</u>	<u>83,881,282</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6	(156,965,196)	(73,269,512)
Acquisition of investment		<u>(31,228,499)</u>	<u>(818,788)</u>
Net cash used in investing activities		<u>(188,193,695)</u>	<u>(74,088,300)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(15,000,000)	-
Term deposit - restricted		(71,881)	(75,719)
Proceeds from notes payable		60,000,000	-
Repayment of notes payable		<u>(18,969,478)</u>	<u>(15,831,286)</u>
Net cash provided by / (used in) financing activities		<u>25,958,641</u>	<u>(15,907,005)</u>
<b>NET DECREASE IN CASH AND BANK BALANCES</b>		<b>(742,264)</b>	<b>(6,114,023)</b>
<b>OPENING CASH AND BANK BALANCES</b>		<u>45,408,631</u>	<u>51,522,654</u>
<b>CLOSING CASH AND BANK BALANCES</b>		<u><u>44,666,367</u></u>	<u><u>45,408,631</u></u>

The accompanying notes form an integral part of the financial statements

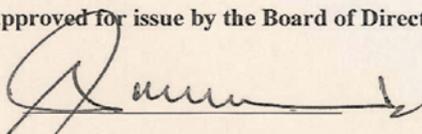
**KNUTSFORD EXPRESS SERVICES LIMITED**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT MAY 31, 2016**

ASSETS	<u>Notes</u>	2016 \$	2015 \$
<b>Non-current Assets</b>			
Goodwill	5	4,500,000	4,500,000
Property, plant and equipment	6	280,094,864	174,222,176
Related party - lease deposit	9	4,625,000	4,750,000
Term deposit - restricted	10	2,511,064	2,439,183
		<u>291,730,928</u>	<u>185,911,359</u>
<b>Current Assets</b>			
Inventories	7	22,264,022	15,755,144
Other assets	8	24,586,352	20,850,173
Due from subsidiary		17,371,954	-
Short term investments	11	43,287,156	12,058,657
Cash and bank balances	12	44,666,367	45,408,631
		<u>152,175,851</u>	<u>94,072,605</u>
<b>Total Assets</b>		<u><u>443,906,779</u></u>	<u><u>279,983,964</u></u>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	51,805,097	51,805,097
Accumulated surplus		285,355,088	177,647,847
		<u>337,160,185</u>	<u>229,452,944</u>
<b>Non-current Liabilities</b>			
Notes payable	15	39,045,734	7,415,168
Shareholders' loan	16	452,840	452,840
Deferred tax liability	17	18,389,280	11,802,146
		<u>57,887,854</u>	<u>19,670,154</u>
<b>Current Liabilities</b>			
Accounts payable and accrued charges	18	28,319,179	19,721,261
Current portion of notes payable	15	20,539,561	11,139,605
		<u>48,858,740</u>	<u>30,860,866</u>
<b>Total Equity and Liabilities</b>		<u><u>443,906,779</u></u>	<u><u>279,983,964</u></u>

The financial statements on pages 24 to 48 were approved for issue by the Board of Directors on July 28, 2016 and signed on its behalf by:



Director

  
 Director

The accompanying notes form an integral part of the financial statements

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**COMPANY STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED MAY 31, 2016**

	<u>Notes</u>	2016 \$	2015 \$
<b>Revenue</b>	<b>4</b>	<b>583,370,111</b>	451,601,345
<b>Less:</b>			
Administrative and general expenses	<b>19</b>	<u>(445,605,954)</u>	<u>(371,846,001)</u>
		137,764,157	79,755,344
Other income		<u>3,934,644</u>	<u>944,597</u>
<b>Operating profit</b>	<b>20</b>	<b>141,698,801</b>	80,699,941
Finance income	<b>21</b>	1,852,735	1,786,262
Finance costs	<b>22</b>	<u>(141,97,161)</u>	<u>(8,017,577)</u>
<b>Profit before taxation</b>		<b>129,354,375</b>	74,468,626
<b>Taxation charge</b>	<b>23</b>	<u>6,647,134</u>	<u>5,128,830</u>
<b>Net profit, being total comprehensive income for the year</b>		<u><b>122,707,241</b></u>	<u>69,339,796</u>
<b>Earnings per share for profit attributable to the shareholders of the Company during the year</b>	<b>14</b>	<u><b>\$1.22</b></u>	<u>\$0.69</u>

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED MAY 31, 2016**

	<u>Share Capital</u> \$	<u>Accumulated Surplus</u> \$	<u>Total</u> \$
Balance at May 31, 2014	51,805,097	108,308,051	160,113,148
Net profit, being total comprehensive income for the year	<u>-</u>	<u>69,339,796</u>	<u>69,339,796</u>
<b>Balance at May 31, 2015</b>	51,805,097	177,647,847	229,452,944
<b>Transactions with owners:</b>			
Dividends paid being total distribution to owners (note 27)	<u>-</u>	<u>(15,000,000)</u>	<u>(15,000,000)</u>
<b>Total transactions with owners:</b>	-	(15,000,000)	(15,000,000)
Net profit, being total comprehensive income for the year	<u>-</u>	<u>122,707,241</u>	<u>122,707,241</u>
<b>Balance at May 31, 2016</b>	<u><b>51,805,097</b></u>	<u><b>285,355,088</b></u>	<u><b>337,160,185</b></u>

The accompanying notes form an integral part of the financial statements

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**COMPANY STATEMENT OF CASH FLOWS**  
**YEAR ENDED MAY 31, 2016**

	<u>Notes</u>	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the year		122,707,241	69,339,796
<b>Items not affecting cash resources:</b>			
Depreciation and amortization		36,780,229	25,220,858
Taxation charge		<u>6,647,134</u>	<u>5,128,830</u>
		166,134,604	99,689,484
Increase in operating assets:			
Other assets		(3,736,178)	(19,979,549)
Inventories		(6,508,878)	(1,871,557)
Increase in operating liabilities:			
Accounts payable and accrued charges		<u>8,597,917</u>	<u>10,020,548</u>
		164,487,465	87,858,926
Income tax paid		<u>(60,000)</u>	<u>(3,977,644)</u>
Net cash provided by operating activities		<u>164,427,465</u>	<u>83,881,282</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6	(142,527,917)	(73,269,512)
Acquisition of investment		(31,228,499)	(818,788)
Investment in subsidiary		<u>(17,371,954)</u>	<u>-</u>
Net cash used in investing activities		<u>(191,128,370)</u>	<u>(74,088,300)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(15,000,000)	-
Term deposit - restricted		(71,881)	(75,719)
Proceeds from notes payable		60,000,000	-
Repayment of notes payable		<u>(18,969,478)</u>	<u>(15,831,286)</u>
Net cash provided by / (used in) financing activities		<u>25,958,641</u>	<u>(15,907,005)</u>
<b>NET DECREASE IN CASH AND BANK BALANCES</b>		<b>(742,264)</b>	<b>(6,114,023)</b>
<b>OPENING CASH AND BANK BALANCES</b>		<u>45,408,631</u>	<u>51,522,654</u>
<b>CLOSING CASH AND BANK BALANCES</b>		<u>44,666,367</u>	<u>45,408,631</u>

The accompanying notes form an integral part of the financial statements

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2016**

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**1. IDENTIFICATION**

Knutsford Express Services Limited (the "Company ") is incorporated in Jamaica under the Jamaican Companies Act. The Company is domiciled in Jamaica, with its registered office located at 10 Harbour Circle, Montego Bay, St. James.

On January 14, 2014, Knutsford Express Services Limited became a public listed entity on The Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to a remission of income taxes for five (5) years providing it complies with the requirements of the Jamaica Stock Exchange Junior Market.

During the year, the Company established a wholly owned subsidiary, KE Connect Limited (the "Subsidiary"). The Subsidiary is incorporated in Jamaica under the Jamaican Companies Act (the "Act"). The Subsidiary is domiciled in Jamaica with its registered office at 10 Harbour Circle, Montego, Bay, St. James, which provides convenient connections to the island's international airports.

The Company and its subsidiary are collectively referred to as the "Group". The principal activity of the Group is the provision of transportation and courier services.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

**(a) Statement of Compliance**

The Group's and Company's financial statements have been prepared in accordance with and compliance with International Financial Reporting Standards (IFRS) and the relevant requirements of the Jamaican Companies Act (the "Act").

The financial statements have been prepared under the historical cost basis and are expressed in Jamaican dollars, unless otherwise indicated.

The preparation of financial statements in conformity with IFRS and the Act requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year then ended. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

There are no significant assumptions and judgements applied in these financial statements that carries a risk of material adjustment in the next financial year.

**(b) Consolidation**

**(i) Subsidiary:**

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences until the date the control ceases.

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2016**

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**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)**

**(b) Consolidation (cont'd)**

- (ii) Transactions eliminated on consolidation:  
Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains.

**(c) Changes in accounting standards and interpretations:**

Certain interpretations and amendments to existing standards became effective during the financial year. None of these new standards and amendments have had a material impact on the Group's and Company's operations.

The Group and Company has identified the following revised or new International Financial Reporting Standards, Amendments and Interpretations which have been issued but are not yet effective, and which have not been adopted early. Those which may be relevant to the Group's and Company's operations are as follows:

- *IFRS 9 'Financial instruments 2014, Amendment'*, issued July 2014. Effective for periods commencing on or after 1 January 2018. IFRS 9 (2014) was issued as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.
- *IFRS 10 'Consolidated Financial Statements - Amendment'*, IFRS 10 was issued in December 2014 and applies to annual periods beginning on or after 1 January 2016 outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.
- *IAS 16 'Property, plant and equipment - Amendment'*, issued June, 2014. Effective for periods commencing on or after 1 January 2016. IAS 16 (Property, Plant and Equipment) outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.
- *IAS 38 'Intangible Assets - Amendments'*, issued May 6, 2014. Effective for periods commencing on or after 1 January 2016. IAS 38 Intangible Assets outlines the accounting requirements for intangible assets, which are non-monetary assets which are without physical substance and identifiable (either being separable or arising from contractual or other legal rights). Intangible assets meeting the relevant recognition criteria are initially measured at cost, subsequently measured at cost or using the revaluation model, and amortized on a systematic basis over their useful lives (unless the asset has an indefinite useful life, in which case it is not amortized).
- *IFRS 15 'Revenue from Contracts with Customers'*, issued April, 2016. Effective for periods commencing on or after 1 January 2018. IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2016**

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**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)**

**(b) Changes in accounting standards and interpretations (cont'd):**

- *IFRS 16 'Leases'* issued in January 2016, Effective for annual periods beginning on or after 1 January 2019. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
- *IAS 1 'Presentation of Financial Statements – Amendment'*, issued in December 2014, Effective for annual period beginning on or after January 1, 2016. This explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. It also clarifies that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Property, plant and equipment**

Property, plant and equipment are recorded at historical cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of replacing part of an item is recognized in the carrying amount of the item if it is probable that the future economic benefits associated with the item will flow to the Group and Company and its cost can be measured reliably.

The costs of day-to-day servicing of furniture, fixtures and equipment are recognized in the statement of comprehensive income as incurred.

Depreciation is recognized in the statement of comprehensive income on the straight-line basis, over the estimated useful lives of the assets. The rates of depreciation in use are:

Furniture, fixtures and equipment	10%
Computers	20%
Motor vehicles	12.5%
Leasehold improvement	10%

Property, plant and equipment are periodically reviewed for impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, the carrying amount is written immediately to its recoverable amount.

**(b) Other assets**

Accounts and other receivables are stated at amortized cost.

Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income when there is objective evidence that the asset is impaired.

**(c) Accounts payable and accrued charges**

Accounts payable and accrued charges are stated at amortized cost.

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(d) Cash and bank balances**

Cash comprises cash in hand and cash at bank.

**(e) Inventories**

Inventories comprise parts, maintenance items and other accessories which are utilized for the maintenance of the Group's and Company's buses. Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out (FIFO) method.

**(g) Foreign currencies**

The financial statements are presented in the currency of the primary economic environment in which the Group and Company operates (the functional currency).

In preparing the financial statements of the Group and Company, transactions in currencies other than the Group's and Company's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are included in the statement of comprehensive income for the period.

**(h) Revenue recognition**

Revenue is measured at the fair value of the consideration received from the provision of transportation and courier services in the normal course of business, net of discounts, rebates and consumption taxes. Revenue is recognized in the statement of comprehensive income once the transportation and courier services have been provided to the customer and the receipt of the consideration is probable.

Interest recognized on an income is time proportionate basis using the effective interest method.

**(i) Leases**

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the terms of the relevant lease.

**(j) Goodwill**

Goodwill which represents contracts rights with vendors and customer listings are deemed to have indefinite life. Goodwill is carried at cost less impairment. The Group and Company assesses goodwill for impairment at least on an annual basis or when events or circumstances indicates that the carrying value may be impaired.

**(k) Comparative information**

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year.

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(l) Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

**(i) Current income tax**

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustments to income tax payable in respect of previous years.

**(ii) Deferred income tax**

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the statement of financial position date.

A deferred tax asset is recognized only to the extent management can demonstrate that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(m) Related party identification**

A party is related to the Group and Company if:

**(i) directly or indirectly the party:**

- controls, is controlled by, or is under common control with the Group and Company;
- has an interest in the Group and Company that gives it significant influence over the Group and Company; or
- has joint control over the Group and Company.

**(ii) the party is an associate of the Group and Company**

**(iii) the party is a joint venture in which the Group and Company is a venturer;**

**(iv) the party is a member of the key management personnel of the Group and Company**

**(v) the party is a close member of the family of an individual referred to in (i) or (iv) above**

**(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v) above.**

**(vii) the party is a post-employment benefit plan for the benefit of employees of the Group and Company, or of any company that is a related party of the Group and Company.**

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

**(n) Dividends**

Dividends on ordinary shares are recognized in shareholders' equity in the period in which they are approved by the Company's Board of Directors.

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(o) Impairment**

At each statement of financial position date, the Group and Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, The Group and Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

**(p) Financial instruments**

Financial instruments include transactions that give rise to both financial assets and financial liabilities. Financial assets and liabilities are recognized on The Group's and Company's statement of financial position when the Group and Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments issued by the Group and Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group and Company after deducting all of its liabilities.

Financial assets include cash and bank deposits, accounts receivable, long-term receivables and other current assets except inventories and any prepayments.

Financial liabilities include notes payable, shareholders' loans and current liabilities except accruals and income tax payable. The particular recognition methods adopted are disclosed in the respective accounting policies associated with each item.

The fair values of the financial instruments are disclosed in Note 28.

**(q) Segment reporting**

An operating segment is a component of the Group and Company that engages in business activities from which it may earn and incur expenses; whose operating results are regularly reviewed by the Group's and Company's Chief Operating Decision Maker ("CODM") who decides about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the operations of the Group and Company are considered as one operating segment.

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**4. REVENUE**

Revenue represents income earned from the provision of transportation and courier services excluding discounts, and general consumption tax.

**5. GOODWILL**

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cost:</b>		
Purchased goodwill	<b>4,500,000</b>	4,500,000
<b>Balance at year end</b>	<b>4,500,000</b>	4,500,000

Goodwill resulted from the acquisition of South Coast Express Limited. The Group and Company assesses the impairment of goodwill at least on an annual basis or when events or circumstances indicate that the carry value may be impaired.

**6. PROPERTY, PLANT AND EQUIPMENT**

**Group:**

	<b>Computer</b>	<b>Furniture Fixtures and Equipment</b>	<b>Leasehold Improvement</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At Cost:</b>					
Balance at June 1, 2014	3,365,560	46,001,442	-	127,702,417	177,069,419
Additions	1,447,061	14,058,000	6,984,700	50,779,751	73,269,512
Balance at May 31, 2015	4,812,621	60,059,442	6,984,700	178,482,168	250,338,931
Balance at June 1, 2015	4,812,621	60,059,442	6,984,700	178,482,168	250,338,931
Additions	3,421,068	6,753,439	5,587,272	141,203,417	156,965,196
Balance at May 31, 2016	<b>8,233,689</b>	<b>66,812,881</b>	<b>12,571,972</b>	<b>319,685,585</b>	<b>407,304,127</b>
<b>Accumulated Depreciation:</b>					
Balance at June 1, 2014	1,887,794	9,222,330	-	39,910,773	51,020,897
Charge for the year	824,775	5,484,980	116,412	18,669,691	25,095,858
Balance at May 31, 2015	2,712,569	14,707,310	116,412	58,580,464	76,116,755
Balance at June 1, 2015	2,712,569	14,707,310	116,412	58,580,464	76,116,755
Charge for the year	1,183,607	6,302,129	1,052,412	28,718,634	37,256,782
Balance at May 31, 2016	<b>3,896,176</b>	<b>21,009,439</b>	<b>1,168,824</b>	<b>87,299,098</b>	<b>113,373,537</b>
<b>Net book value:</b>					
At May 31, 2014	1,477,766	36,779,112	-	87,791,644	126,048,522
At May 31, 2015	2,100,052	45,352,132	6,868,288	119,901,704	174,222,176
At May 31, 2016	<b>4,337,513</b>	<b>45,803,442</b>	<b>11,403,148</b>	<b>232,386,487</b>	<b>293,930,590</b>

**KNUTSFORD EXPRESS SERVICES LIMITED**  
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**YEAR ENDED MAY 31, 2016**

**6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Company:

	<b>Computer</b>	<b>Furniture Fixtures and Equipment</b>	<b>Leasehold Improvement</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At Cost:</b>					
Balance at June 1, 2014	3,365,560	46,001,442	-	127,702,417	177,069,419
Additions	<u>1,447,061</u>	<u>14,058,000</u>	<u>6,984,700</u>	<u>50,779,751</u>	<u>73,269,512</u>
Balance at May 31, 2015	<u>4,812,621</u>	<u>60,059,442</u>	<u>6,984,700</u>	<u>178,482,168</u>	<u>250,338,931</u>
Balance at June 1, 2015	4,812,621	60,059,442	6,984,700	178,482,168	250,338,931
Additions	<u>3,421,068</u>	<u>6,753,439</u>	<u>5,587,272</u>	<u>126,766,138</u>	<u>142,527,917</u>
Balance at May 31, 2016	<b><u>8,233,689</u></b>	<b><u>66,812,881</u></b>	<b><u>12,571,972</u></b>	<b><u>305,248,306</u></b>	<b><u>392,866,848</u></b>
<b>Accumulated Depreciation:</b>					
Balance at June 1, 2014	1,887,794	9,222,330	-	39,910,773	51,020,897
Charge for the year	<u>824,775</u>	<u>5,484,980</u>	<u>116,412</u>	<u>18,669,691</u>	<u>25,095,858</u>
Balance at May 31, 2015	<u>2,712,569</u>	<u>14,707,310</u>	<u>116,412</u>	<u>58,580,464</u>	<u>76,116,755</u>
Balance at June 1, 2015	2,712,569	14,707,310	116,412	58,580,464	76,116,755
Charge for the year	<u>1,183,607</u>	<u>6,302,129</u>	<u>1,052,413</u>	<u>28,117,080</u>	<u>36,655,229</u>
Balance at May 31, 2016	<b><u>3,896,176</u></b>	<b><u>21,009,439</u></b>	<b><u>1,168,825</u></b>	<b><u>86,697,544</u></b>	<b><u>112,771,984</u></b>
<b>Net book value:</b>					
At May 31, 2014	<u>1,477,766</u>	<u>36,779,112</u>	<u>-</u>	<u>87,791,644</u>	<u>126,048,522</u>
At May 31, 2015	<u>2,100,052</u>	<u>45,352,132</u>	<u>6,868,288</u>	<u>119,901,704</u>	<u>174,222,176</u>
At May 31, 2016	<b><u>4,337,513</u></b>	<b><u>45,803,442</u></b>	<b><u>11,403,147</u></b>	<b><u>218,550,762</u></b>	<b><u>280,094,864</u></b>

**7. INVENTORIES**

<b>Group and Company</b>	
<b>2016</b>	<b>2015</b>
<b>\$</b>	<b>\$</b>
<b><u>22,264,022</u></b>	<b><u>15,755,144</u></b>

Inventories represent unused parts and accessories as at the year-end which are used for the maintenance of the Group's and the Company's buses.

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. OTHER ASSETS**

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	2015	<u>2016</u>	2015
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Accounts receivable	3,600,039	3,089,434	3,600,039	3,089,434
Deposit on motor vehicle	19,819,246	15,607,578	17,419,246	15,607,578
Prepayments	2,400,026	1,474,561	2,400,026	1,474,561
Other receivables	1,167,041	678,600	1,167,041	678,600
	<u>26,986,352</u>	<u>20,850,173</u>	<u>24,586,352</u>	<u>20,850,173</u>

**9. RELATED PARTY - LEASE DEPOSIT**

	<u>Group and Company</u>	
	<u>2016</u>	2015
	<u>\$</u>	<u>\$</u>
Balance at the start of the year	4,750,000	4,875,000
Current amount amortized during the year	<u>(125,000)</u>	<u>(125,000)</u>
Balance at the end of the year	<u>4,625,000</u>	<u>4,750,000</u>

Lease deposit represents amounts advanced to a related company, Storage Solutions Limited, for the usage of leased property over forty (40) years. The amount is amortized over the life of the lease.

**10. TERM DEPOSIT - RESTRICTED**

	<u>Group and Company</u>	
	<u>2016</u>	2015
	<u>\$</u>	<u>\$</u>
	<u>2,511,064</u>	<u>2,439,183</u>

The term deposit is held with National Commercial Bank Jamaica Limited (NCB) at interest rate of 2.4% per annum. The term deposit is used to secure a loan from NCB (see note 15).

**11. SHORT TERM INVESTMENTS**

	<u>Group and Company</u>	
	<u>2016</u>	2015
	<u>\$</u>	<u>\$</u>
Proven Wealth (i)	13,287,156	12,058,657
First Global Bank (ii)	<u>30,000,000</u>	<u>-</u>
	<u>43,287,156</u>	<u>12,058,657</u>

- (i) This is a USD short term investment which earns interest at 0.95% per annum (2015: 3.75%).  
(ii) This is a JMD investment which earns interest at 5.25% per annum.

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**12. CASH AND BANK BALANCES**

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current accounts	<b>21,370,424</b>	8,599,543
Foreign currency accounts	<b>15,580,007</b>	31,978,154
Cash balances	<b>7,715,936</b>	4,830,934
	<b>44,666,367</b>	45,408,631

The weighted average effective interest rate for cash and bank balances is 0.13% (2015: 0.4%). The cash and bank balances are unrestricted.

**13. SHARE CAPITAL**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<u>Authorized share capital:</u>		
100,005,000 Ordinary shares at no par value	<b>51,805,097</b>	51,805,097
<u>Issued and fully paid:</u>		
100,000,003 Ordinary shares at no par value	<b>51,805,097</b>	51,805,097

**14. EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit after taxation and the weighted average number of shares in issue during the year.

	<b>2016</b>	<b>2015</b>
Net profit attributable to shareholders	<b>121,840,070</b>	69,339,796
Weighted average number of shares in issue	<b>100,000,003</b>	100,000,003
	<b>\$ 1.22</b>	\$ 0.69

**15. NOTES PAYABLE**

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	<b>18,554,773</b>	34,386,059
Principal repayment	<b>(18,969,478)</b>	(15,831,286)
Additions during the year	<b>60,000,000</b>	-
Balance at the end of the year	<b>59,585,295</b>	18,554,773
Current portion of notes payable	<b>(20,539,561)</b>	(11,139,605)
	<b>39,045,734</b>	7,415,168

These represent loans from the National Commercial Bank Jamaica Limited with interest rates of 8.5% to 10% per annum. The loans are secured by liens over seven (7) of the Company's King Long Coach buses, its term deposit (see note 10), and guarantees from certain of the Group's and the Company's directors and a related company.

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**16. SHAREHOLDERS' LOAN**

<b>Group and Company</b>	
<b>2016</b>	<b>2015</b>
<b>\$</b>	<b>\$</b>
<b>452,840</b>	<b>452,840</b>
<b>452,840</b>	<b>452,840</b>

This represents advances to the Group and the Company by the original shareholders. The loan is interest free, unsecured and has no fixed date of repayment.

**17. DEFERRED TAX LIABILITY**

Certain deferred tax assets and liabilities have been offset in accordance with the Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for reporting purposes:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Deferred tax liabilities	<b>18,120,223</b>	11,802,146	<b>18,389,280</b>	11,802,146
	<b>18,120,223</b>	11,802,146	<b>18,389,280</b>	11,802,146

Deferred tax liabilities are attributable to the following:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Property, plant and equipment	<b>18,960,756</b>	11,802,146	<b>18,389,280</b>	11,802,146
Tax loss	<b>(840,533)</b>	-	-	-
	<b>18,120,223</b>	11,802,146	<b>18,389,280</b>	11,802,146

The movement during the year in the Company's deferred tax position was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at the beginning of the period	<b>11,802,146</b>	6,733,316	<b>11,802,146</b>	6,733,316
Movement during the year	<b>6,318,077</b>	5,068,830	<b>6,587,134</b>	5,068,830
Balance at the end of the period	<b>18,120,223</b>	11,802,146	<b>18,389,280</b>	11,802,146

**18. ACCOUNTS PAYABLE AND ACCRUED CHARGES**

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Accounts payable	<b>9,409,319</b>	14,833,063
Statutory liabilities	<b>3,322,963</b>	2,553,716
Other accruals	<b>15,586,897</b>	2,334,482
	<b>28,319,179</b>	19,721,261

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. EXPENSES BY NATURE**

**Administrative and General Expenses**

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$	\$	\$	\$
Salaries, wages and related expenses	<b>167,677,246</b>	118,701,327 *	<b>167,677,246</b>	118,701,327 *
Staff uniform	<b>4,824,527</b>	3,643,766	<b>4,824,527</b>	3,643,766
Staff training and welfare	<b>2,956,314</b>	1,354,337	<b>2,956,314</b>	1,354,337
Electricity	<b>4,437,152</b>	4,346,981	<b>4,437,152</b>	4,346,981
Telephone	<b>9,587,435</b>	7,943,060	<b>9,587,435</b>	7,943,060
Asset tax	<b>200,000</b>	200,000	<b>200,000</b>	200,000
Water	<b>1,982,027</b>	1,120,204	<b>1,982,027</b>	1,120,204
Office supplies	<b>4,627,714</b>	2,937,677	<b>4,444,562</b>	2,937,677
Motor vehicle rental	<b>1,659,200</b>	3,505,305	<b>1,659,200</b>	3,505,305
Repairs and maintenance	<b>7,114,551</b>	3,551,791	<b>7,090,273</b>	3,551,791
Equipment rental	<b>58,250</b>	690,796	<b>58,250</b>	690,796
Rent	<b>10,785,087</b>	7,776,110	<b>10,618,519</b>	7,776,110
Registration fees	<b>8,000</b>	105,803	-	105,803
Travelling	<b>6,557,069</b>	5,954,663	<b>6,551,869</b>	5,954,663
Licence and permits	<b>4,844,995</b>	3,480,436	<b>4,844,995</b>	3,480,436
Advertising and promotion	<b>17,329,356</b>	12,369,307	<b>17,329,356</b>	12,369,307
Fuel	<b>64,769,278</b>	70,536,800	<b>64,562,743</b>	70,536,800
Passenger supplies	<b>9,787,818</b>	7,003,911	<b>9,900,362</b>	7,003,911
Parts and supplies	<b>26,354,627</b>	38,180,948	<b>26,242,083</b>	38,180,948
Motor vehicle repairs and maintenance	<b>6,060,770</b>	2,341,425	<b>6,060,770</b>	2,341,425
Wrecker fees	<b>472,600</b>	153,300	<b>472,600</b>	153,300
Motor vehicle insurance	<b>18,458,954</b>	14,102,433	<b>17,478,810</b>	14,102,433
Toll fees	<b>11,377,017</b>	7,422,730	<b>11,377,017</b>	7,422,730
Communication equipment	-	19,000	-	19,000
Accommodation	<b>18,000</b>	399,878	<b>18,000</b>	399,878
Professional fees	<b>7,839,979</b>	7,548,025	<b>7,819,979</b>	7,548,025
Directors' fees	<b>420,000</b>	480,000	<b>420,000</b>	480,000
Dues and subscription	<b>21,500</b>	253,266	<b>21,500</b>	253,266
Cleaning and sanitation	<b>3,847,028</b>	4,402,866	<b>3,847,028</b>	4,402,866
Postage and delivery	<b>20,454</b>	244,978	<b>20,454</b>	244,978
Printing and stationery	<b>4,366,919</b>	4,102,955	<b>4,366,919</b>	4,102,955
Depreciation and amortization	<b>37,381,781</b>	25,220,858	<b>36,780,229</b>	25,220,858
Audit fees	<b>1,000,000</b>	765,000	<b>1,000,000</b>	765,000
Accounting fees	<b>770,000</b>	380,000	<b>770,000</b>	380,000
Contract labour	<b>497,519</b>	2,744,515	<b>497,519</b>	2,744,515
Security	<b>9,688,216</b>	7,861,550	<b>9,688,216</b>	7,861,550
	<b>447,801,383</b>	371,846,001	<b>445,605,954</b>	371,846,001

\* Reclassified to conform to current year presentation

**KNUTSFORD EXPRESS SERVICES LIMITED**  
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**20. OPERATING PROFIT**

<b>Group</b>		<b>Company</b>	
<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>140,622,573</b>	<b>80,699,940</b>	<b>141,698,801</b>	<b>80,699,940</b>

Stated after charging the following:

<b>Group</b>		<b>Company</b>	
<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>1,000,000</b>	<b>765,000</b>	<b>1,000,000</b>	<b>765,000</b>

Auditor's remuneration

**21. FINANCE INCOME**

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Interest income	<b>704,501</b>	476,673
Exchange gains	<b>1,148,234</b>	1,309,589
	<b>1,852,735</b>	1,786,262

**22. FINANCE COSTS**

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Loan interest	<b>4,722,158</b>	2,529,359
Interest and penalties	-	99,999
Bank charges	<b>9,475,003</b>	5,388,219
	<b>14,197,161</b>	8,017,577

**KNUTSFORD EXPRESS SERVICES LIMITED**  
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**23. TAXATION CHARGE**

As a result of the Company's enlistment on the Jamaica Stock Exchange Junior Market effective January 14, 2014, the Company is entitled to a remission from income tax for five years providing it adheres to the rules and regulations of the Jamaica Stock Exchange Junior Market.

The Company provides for deferred tax.

Taxation is computed at 25% (2015: 25%) of the profit for the year as adjusted for taxation purposes.

The taxation charge is made up as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current:		
Provision for charge on current profit	-	-
Minimum business tax	<u>120,000</u>	<u>60,000</u>
	<u>120,000</u>	<u>60,000</u>
Deferred:		
Origination and reversal of temporary differences	<u>6,318,077</u>	<u>5,068,830</u>
	<u>6,438,077</u>	<u>5,128,830</u>
	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current:		
Provision for charge on current profit	-	-
Minimum business tax	<u>60,000</u>	<u>60,000</u>
	<u>60,000</u>	<u>60,000</u>
Deferred:		
Origination and reversal of temporary differences	<u>6,587,134</u>	<u>5,068,830</u>
	<u>6,647,134</u>	<u>5,128,830</u>

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23. TAXATION CHARGE (CONT'D)	Group			
(b) Reconciliation of effective tax rate and charge:	2016		2015	
	\$	%	\$	%
Profit before taxation for the year	<u>128,278,147</u>		<u>74,468,626</u>	
Computed tax charge	32,069,537	25%	18,617,156	25%
Minimum business tax	120,000	0%	60,000	0%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	31,250	0%	3,123,123	4%
Unrealized exchange gains	(265,899)	0%	(327,397)	0%
Remission of income taxes	(25,566,811)	-20%	(16,394,052)	-22%
Other adjustments	<u>50,000</u>	<u>0%</u>	<u>50,000</u>	<u>0%</u>
Actual charge and tax rate	<u>6,438,077</u>	<u>5%</u>	<u>5,128,830</u>	<u>7%</u>
	Company			
Reconciliation of effective tax rate and charge:	2016		2015	
	\$	%	\$	%
Profit before taxation for the year	<u>129,354,375</u>		<u>74,468,626</u>	
Computed tax charge	32,338,594	25%	18,617,156	25%
Minimum business tax	60,000	0%	60,000	0%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	31,250	0%	3,123,123	4%
Unrealized exchange gains	(265,899)	0%	(327,397)	0%
Remission of income taxes	(25,566,811)	-20%	(16,394,052)	-22%
Other adjustments	<u>50,000</u>	<u>0%</u>	<u>50,000</u>	<u>0%</u>
Actual charge and tax rate	<u>6,647,134</u>	<u>5%</u>	<u>5,128,830</u>	<u>7%</u>

**Remission of income tax:**

In January 2014, the Company's shares were listed on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to a remission of income tax for five (5) years. The Company has to remain listed on the Jamaica Stock Exchange Junior Market for ten years in order to maintain the tax exemption.

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remission. Subject to agreement with the Ministry of Finance and Planning, the income tax payable for which remission will be sought is \$25,566,811 (2015 - \$16,394,052).

**KNUTSFORD EXPRESS SERVICES LIMITED**  
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**24. RELATED PARTIES**

The following related party balances are shown separately in the Company's statement of financial position:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Lease deposit to related company	<b>4,625,000</b>	4,750,000
Amounts due to key management personnel	<b>452,840</b>	452,840

The Company's statement of comprehensive income includes the following transactions, undertaken with related parties in the ordinary course of business:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Transactions with key management personnel:		
- Directors' fees	420,000	480,000 *
- Management remuneration	<b>11,773,788</b>	10,254,242 *

**25. LEASE COMMITMENTS**

At May 31, 2016, unexpired operating lease commitments in relation to leasehold property, payable were as follows:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Within one year	4,020,703	2,554,200 *
Between one and ten years	<b>13,006,993</b>	1,840,000 *
	<b>17,027,696</b>	4,394,200

During the year, the total operating lease expenses recognized amounted to \$10,785,087 (2015: \$7,776,110).

\* Reclassified to conform to current year presentation

**KNUTSFORD EXPRESS SERVICES LIMITED**  
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**26. STAFF COSTS**

The number of employees at the end of the year was as follows:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
Permanent	<b>100</b>	<b>79</b>

The aggregate payroll costs for these persons were as follows:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Salaries and profit related pay	<b>175,458,087</b>	<b>123,699,431</b>

**27. DIVIDENDS**

The Company, at its Board of Directors meeting held on July 14, 2015, declared a dividend of \$15,000,000 payable on September 15, 2015 to shareholders on record as at August 4, 2015.

**28. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT**

**(a) Fair value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Market prices are not available for some of the financial assets and liabilities of the Group and Company. Fair values in the financial statements have therefore, been presented using various estimation techniques based on market conditions existing at the statement of financial position date.

Generally, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Group and Company would realize in a current market exchange.

The following methods and assumptions have been used.

The amounts included in the financial statements for cash and cash equivalents, short term deposits, receivables, payables, and due to / from related companies reflect the approximate fair values because of short-term maturity of these instruments.

The carrying amount of the Company's notes payable approximates fair value as the interest rates on these loans are similar to current market rates.

The fair value of the shareholders' loans cannot be reasonably estimated as they were granted under special terms.

The related party lease prepayment is reflected at amortized cost.

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2016**

**28. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)**

**(b) Financial risk management**

The Group and The Company has exposure to the following risks from its use of financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk
- (iv) Cash flow risk

The Board of Directors, together with senior management has overall responsibility for the establishment and oversight of the Group's and Company's risk management framework.

The Group's and Company's risk management policies are established to identify and analyze the risks faced by The Group and Company in order to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect market conditions and the Group's and Company's activities.

**(i) Credit risk**

Credit risk is the risk of a financial loss arising from a counter-party to a financial contract failing to discharge its obligations. The Group and Company manages this risk by establishing policies for granting credit and entering into financial contracts. The Group's and Company's credit risk is concentrated, primarily, in cash and cash equivalents, receivables short-term deposits, and due from related company.

Exposure to credit risk:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Other assets	<b>24,586,352</b>	20,850,173
Cash and bank balances	<b>44,666,367</b>	45,408,631
	<b>69,252,719</b>	66,258,804

The Group and Company has no significant concentration of credit risk, except for balances held with an investment broker.

The maximum credit exposure, the total amount of loss the Group and Company would suffer if every counter-party to the Group's and Company's financial assets were to default at once, is represented by the carrying amount of financial assets shown on the statement of financial position.

There was no change in the Group's and Company's approach to its credit risk management during the current or prior period.

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**28. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)**

**(b) Financial risk management (cont'd):**

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group and Company will not meet its financial obligations as they fall due. The Group's and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group and Company.

Management aims at maintaining sufficient cash and the availability of funding through an amount of committed facilities. The management maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

	<b>Group and Company</b>			
	Carrying amount \$	Contractual cash flow \$	Less than 1 year \$	<u>1 - 3 years</u> \$
<b>May 31, 2016:</b>				
Notes payable	59,585,295	70,255,383	26,073,763	44,181,620
Accounts payable and accrued charges	28,319,179	28,319,179	28,319,179	-
	<u><b>87,904,474</b></u>	<u><b>98,574,562</b></u>	<u><b>54,392,942</b></u>	<u><b>44,181,620</b></u>
<b>May 31, 2015:</b>				
Notes payable	18,554,773	20,163,921	12,351,218	7,812,703
Accounts payable and accrued charges	19,721,261	19,721,261	19,721,261	-
	<u><b>38,276,034</b></u>	<u><b>39,885,182</b></u>	<u><b>32,072,479</b></u>	<u><b>7,812,703</b></u>

**(iii) Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Such risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices, such as foreign exchange and interest rates. The elements of market risk that affect the Group and Company are as follows:

**(i) Foreign currency risk**

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Group and Company is exposed to foreign currency risk on transactions that it undertakes in foreign currencies. The main foreign currencies giving rise to this risk is the United States dollar.

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**28. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)**

**(b) Financial risk management (cont'd):**

**(iii) Market risk (cont'd)**

**(i) Foreign currency risk (cont'd)**

The exposure to foreign currency risk at the statement of financial position date was as follows:

	<b>Group and Company</b>	
	<b>2016</b>	2015
	<b>US\$</b>	US\$
<b>Foreign currency assets:</b>		
Cash and bank balances	<b>123,832</b>	272,338
Short term investment	<b><u>106,451</u></b>	<u>103,963</u>
	<b><u>230,283</u></b>	<u>376,301</u>

**(ii) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group and Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group and Company manages this risk by monitoring interest rates daily. Even though there is no formally predetermined gap limits, to the extent judged appropriate, the maturity profile of the financial assets is matched with that of the financial liabilities. Where gaps occur, management expects that its monitoring will, on a timely basis, identify the need to take quick action to close a gap, if it becomes necessary. As at the year end, the Group and Company was not subject to significant interest rate risk.

Sensitivity to interest rate movements:

The Group and Company does not have variable rate instruments nor does it account for any fixed rate financial assets and liabilities at fair value through the statement of comprehensive income, it is therefore not subject to interest rate sensitivity.

**(iv) Cash flow risk**

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate because of changes in market interest rates. The Group and Company manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

**KNUTSFORD EXPRESS SERVICES LIMITED**  
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**28. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)**

**(C) Capital Management**

The Group's and Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide benefits for its stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company met the capital requirements of at least \$50,000,000 for listing on the Junior Market of the Jamaica Stock Exchange. There was no other externally imposed capital requirement.

There were no changes to the Company's approach to capital management during the year, and this is monitored by the Board of Directors.



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